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AGENDA

- Goal Setting
- Budgeting
- Understanding Credit
- Protection (Insurance & Identity Theft)
- Saving & Investing
GOAL SETTING
DEFINING FINANCIAL GOALS

When do you want to accomplish them?

Why are these goals important to you?

What are your goals?

How much money will it take?

Hint: Increase your odds of success by being very specific with your answers to these questions, writing them down, and revisiting them regularly.
SPENDING PLANS

BUDGETING
4-STEP BUDGETING PROCESS

Know Your Current Situation
- Set Goals
- Track Inflows and Outflows

Know Where Your Money Should Go
- Save and/or Invest 10-15%*
- Transportation 10%*

Create A Plan
- Goals Come First

Make Adjustments
- Reassess Frequently

*Pre-tax income
# Budget Worksheet

<table>
<thead>
<tr>
<th>INFLOWS:</th>
<th>YOU</th>
<th>SPOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic pay</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Special pay (hazardous duty, flight pay, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing allowance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsistence allowance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Monthly Gross Income</td>
<td>[A]</td>
<td>= $</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DEDUCTIONS</th>
<th></th>
<th>YOU</th>
<th>SPOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Income Tax Withholding (if applicable)</td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>State Income Tax Withholding (if applicable)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FICA - Social Security</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FICA - Medicare</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other deductions (employer-provided retirement plan contributions, etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Deductions</td>
<td>[B]</td>
<td>= $</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER INFLOWS (interest, gifts, refunds, etc.)</th>
<th>YOU</th>
<th>SPOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[C]</td>
<td>= $</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Monthly Net Inflows</th>
<th>[A-B+C]</th>
<th>= $</th>
</tr>
</thead>
</table>
UNDERSTANDING CREDIT
BUILDING YOUR CREDIT REPUTATION

Manage credit score components

Do not cosign for someone else

Secured card or loan might help initially

Visit annualcreditreport.com
YOUR CREDIT SCORE

FICO Model

- Payment History: 35%
- Debt (Amounts Owed): 15%
- Length of Credit History: 10%
- Types of Credit Used: 10%
- New Credit: 10%

For more information, see myfico.com
MANAGE YOUR DEBT

Calculate your debt-to-income ratio

Explore Servicemembers Civil Relief Act

Reduce expenses and redirect funds

Pay more than the minimum required

Pay off highest interest rate debt first

Use debit card, not credit card

Seek advice

Quiz Page 29
**PAYING THE MINIMUM IS COSTLY**

<table>
<thead>
<tr>
<th>Pay Minimum (Greater of 2% of balance or $25)</th>
<th>Balance</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>18%</td>
<td>$3,000</td>
<td>$6,328</td>
</tr>
<tr>
<td>$9,328</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pay $10 Per Month Extra</th>
<th>Balance</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>18%</td>
<td>$3,000</td>
<td>$3,225</td>
</tr>
<tr>
<td>$6,225</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pay $20 Per Month Extra</th>
<th>Balance</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>18%</td>
<td>$3,000</td>
<td>$2,186 $5,186</td>
</tr>
</tbody>
</table>

**Time to pay in full**

- Pay Minimum: 7.8 Years
- Pay $10 Extra: 11.5 Years
- Pay $20 Extra: 22.3 Years
AVOID PAYDAY LOANS

Ways to avoid:

Create and follow a budget
Create an emergency fund

Alternatives:

Talk to chain of command
Consider 0% emergency loans AER, NMCRS, AFAS or CGMA
Work with personal financial institution
Seek consumer credit counseling
PROTECTION

INSURANCE & IDENTITY THEFT
<table>
<thead>
<tr>
<th>Factor</th>
<th>Impact on Cost</th>
</tr>
</thead>
</table>
| Where You Live      | Some places are more expensive than others  
EXAMPLE: Manhattan, NY could cost almost 50% more than Manhattan, KS                                                                          |
| Vehicle Type        | High performance and high cost vehicle = more expensive insurance  
EXAMPLE: Corvette could cost 60% more than Honda Accord                                                                                   |
| Driving Record      | Poor driving record = higher premium  
EXAMPLE: Two tickets could increase premiums over 30%                                                                                       |
## AUTO INSURANCE

<table>
<thead>
<tr>
<th>Factor</th>
<th>Impact on Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deductibles</td>
<td>Higher deductibles = lower premiums (must have cash available for deductible)</td>
</tr>
<tr>
<td></td>
<td>EXAMPLE: Raising deductibles could decrease premiums as much as 30%</td>
</tr>
<tr>
<td>Financial Responsibility</td>
<td>A poor credit score could increase premiums for coverage.</td>
</tr>
<tr>
<td>Liability Limits</td>
<td>Higher limits = more protection and greater cost. Cheaper isn't always better</td>
</tr>
<tr>
<td></td>
<td>EXAMPLE: Sometimes possible to increase coverage amounts by 4 or 5 times for only 10-15% higher premium.</td>
</tr>
</tbody>
</table>
RENTERS INSURANCE

Personal property coverage

Personal liability coverage

Average premiums:

- $35,000 property
- $100,000 liability
- $250 deductible

San Diego, California
- Annually $243 - $293
- Monthly $20 - $24
LIFE INSURANCE

Helps provide financial security for survivors

Helps take care of financial responsibilities

If married, both spouses may need life insurance.

| SGLI       | MEMBER COVERAGE: UP TO $400,000 | FSGLI | SPOUSE COVERAGE: UP TO $100,000 | FSGLI | CHILD COVERAGE: $10,000 | SGLI & FSGLI | ENDS 120TH DAY AFTER LEAVING SERVICE |
START HERE

1. PAY YOURSELF FIRST
2. CREATE AN EMERGENCY FUND
3. SAVE AND INVEST REGULARLY
Value at age 67 – Investing $100 every month at 8% return

- Start at 22
  - Stop investing after 10 years
  - Invest until age 67
- Start at 32
- Start at 42
LOWER-RISK SAVINGS

- Use for short-term goals
- CD, Saving, Money Market
- Generally liquid and safe
- Lower yields
- One exception: SDP
Mutual funds can be a better approach for the average investor.

Best for the long-term

Common Examples:
- Stocks
- Bonds
- Real estate

HIGHER-RISK INVESTMENTS

» Pages 75-76
MUTUAL FUNDS

Positives
» Diversification
» Professional management
» Low investment minimums

Caution
» Watch expenses
Dollar cost averaging does not ensure or protect against loss in declining markets. You should also consider your ability to invest continuously through periods when the market is down. The above example is only a hypothetical return and your actual return may vary.
TAX-ADVANTAGED ACCOUNTS

**Individual Retirement Accounts (IRAs)**
- Set up through a financial institution
- Available in Roth and Traditional
- You pick the investments
- Lower maximum contribution limits
- Possible penalties for early withdrawal

**Thrift Savings Plan (TSP) tsp.gov**
- Employer-provided retirement plan for Federal Government employees and the military
- Available in Roth and Traditional
- 10 investment funds available including target-date Lifecycle funds
- Higher maximum contribution limits
- Possible penalties for early withdrawal
TSP OPTIONS FOR SEPARATING SERVICE MEMBERS

1. LEAVE MONEY IN THE TSP

2. WITHDRAW ALL OR PART OF THE MONEY

3. TRANSFER OR ROLL OVER MONEY INTO AN IRA OR ELIGIBLE EMPLOYER PLAN
**BLENDED RETIREMENT SYSTEM (BRS)**

Date of Initial Entry into Military Service (DIEMS) determines retirement plan eligibility

- **DIEMS prior to January 1, 2018**
  - Greater than or equal to 12 years of service* (4,320 points for Guard/Reserve) = High-3
  - Less than 12 years* (4,320 points for Guard/Reserve) = High-3 by default but can elect BRS if desired

- **DIEMS on or after January 1, 2018**
  - Automatic enrollment in BRS

*Years of service is based on Pay Entry Base Date, not DIEMS.

**4 main elements:**

1. Retirement pay (pension)
2. Automatic and matching contributions to Thrift Savings Plan
3. Continuation pay
4. Partial lump sum option
SUMMARY
SUMMARY

- Set financial goals
- Create and follow a spending plan
- Avoid credit card debt and payday loans
- Review your insurance needs
- Create an emergency fund
- Save or invest 10 to 15 percent of your gross pay
- Start saving and investing now
- Strongly consider contributing to the TSP
Most financial problems stem from lack of planning, not lack of money.
THANK YOU

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